

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 GSA-02 INT-05 FTC-01
JUSE-00 CIAE-00 INR-07 NSAE-00 COME-00 SP-02
USIA-06 AID-05 NSC-05 EPG-02 TRSE-00 SS-15 STR-04
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R 060735Z JUL 77
FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 3410
INFO AMEMBASSY ABU DHABI
AMEMBASSY ATHENS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMCONSUL DHAHRAN

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ATHENS FOR RTDO

E.O. 11652: N/A
TAGS: EMIN, BENC, MU, SA
SUBJECT: SAUDI ASSISTANCE FOR OMANI COPPER PROJECT

1. DURING A RECENT VISIT TO OMAN, SAUDI MINISTER OF INDUSTRY AND ELECTRICITY GHAZI AL KHASIABI SIGNED AN AGREEMENT TO PROVIDE FUNDS FOR A COPPER MINING AND SMELTING PROJECT AT SOHAR. THE PROJECT, WHICH HAS BEEN LONG DELAYED BY LACK OF FINANCING, WILL START CONSTRUCTION THIS YEAR. THE FOUR MINE SITES IN THE MOUNTAINS BEHIND SOHAR WILL SUPPLY 1.2 MILLION TONS OF ORE A YEAR, WHICH WILL BE SMELTED INTO 20,000 TONS OF REFINED COPPER PER ANNUM. ACCORDING TO NEWSPAPER REPORTS THE SAUDIS AGREED TO GIVE \$100 MILLION ALTHOUGH WE HAVE HEARD FROM OTHER SOURCES THAT THE SAUDIS WILL ACTUALLY PROVIDE \$150 MILLION.

2. SAUDI FINANCING WITHOUT STRINGS MEANS THAT PROSPECTION
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LTD. OF CANADA (WHICH IS LARGELY OWNED BY THE MARSHALL FAMILY OF HOUSTON, TEXAS), WILL NOT HAVE TO SURRENDER ITS 49 PERCENT EQUITY POSITION IN THE COPPER PROJECT. AFTER MUCH DEBATE, THE OMANIS WILL BUILD A SMELTER NEAR THE MINES; A GERMAN FIRM HAS THE INSIDE TRACK. THE GOVERNMENT HAS DECIDED TO RUN AN EXTENSION FROM THE 20-INCH NATURAL GAS PIPELINE NOW UNDER CONSTRUCTION TO SOHAR IN ORDER TO FUEL THE SMELTER. THE

FLUCTUATING AND GENERALLY DEPRESSED INTERNATIONAL PRICE OF COPPER CONVINCED THE OMANGOV THAT PROFITS FROM SHIPPING CONCENTRATED ORE OUT OF SOHAR WOULD BE MARGINAL; INSTEAD AN INVENTORY OF REFINED COPPER INGOTS WILL BE CREATED WHICH CAN BE SOLD LATER WHEN WORLD MARKET CONDITIONS ARE MORE FAVORABLE.

3. THE ORE BODIES AROUND SOHAR CONTAIN ABOUT 20 MILLION TONS OF PROVEN ORE RESERVES. SMALL TO MEDIUM AMOUNTS OF OTHER MINERALS HAVE BEEN DISCOVERED IN THE NORTHERN MOUNTAINS, BUT OMAN STILL NEEDS MORE SYSTEMATIC EXPLORATION. AMAX AND OTHER LARGE MINING COMPANIES HAVE RECENTLY SHOWN INTEREST IN EXPLORING MINERALS SUCH AS LEAD, ZINC AND NICKEL, BUT IT IS TOO EARLY TO TELL WHETHER LARGER MULTINATIONAL MINING FIRMS ARE PREPARED TO INVEST HERE.
SIZER

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Message Attributes

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Copy: SINGLE
Sent Date: 06-Jul-1977 12:00:00 am
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Disposition Approved on Date:
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